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EDUCATIONAL CIRCULAR 23

USING COOPERATIVE DIRECTORS TO STRENGTHEN MEMBER RELATIONS

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BY IRWIN W. RUST

FARMER COOPERATIVE SERVICE
U.S. DEPARTMENT OF AGRICULTURE

**Farmer Cooperative Service
U. S. Department Of Agriculture
Washington, D. C. 20250**

Joseph G. Knapp, Administrator

The Farmer Cooperative Service conducts research studies and service activities of assistance to farmers in connection with cooperatives engaged in marketing farm products, purchasing farm supplies, and supplying business services. The work of the Service relates to problems of management, organization, policies, merchandising, product quality, costs, efficiency, financing, and membership.

The Service publishes the results of such studies, confers and advises with officials of farmer cooperatives, and works with educational agencies, cooperatives, and others in the dissemination of information relating to cooperative principles and practices.

**Educational Circular 23
July 1965**

Foreword

This is one of a series of circulars on cooperative directors, based on information developed during the 1964 series of member relation conferences sponsored jointly by Farmer Cooperative Service and the American Institute of Cooperation. The theme of the conferences was—The Directors' Role in Member Relations.

This circular is intended to stimulate thinking rather than provide answers to specific problems. The ideas expressed represent opinions of responsible cooperative leaders, educators, and others, based for the most part on their own experiences in teaching or day-to-day operating situations.

Most of the material was taken from speeches given at the 1964 member relation conferences, or from ideas brought out during discussion periods. The following cooperative leaders presented many of the ideas expressed herein.

Ted Caesar
Training Director
Landmark Farm Bureau Cooperative
Columbus, Ohio

V. L. Hall
District Manager
Cotton Producers Association
Valdosta, Georgia

Dale L. Jackson
Secretary
Cooperative Ginners Association
of Oklahoma
Dill City, Oklahoma

Norman L. Peterson
Michigan Milk Producers Association
Detroit, Michigan

W. D. Regier
Manager
Lyons Cooperative Association
Lyons, Kansas

Harold Robinson
Manager
Franklin County Farm Bureau
Cooperative
Brookville, Indiana

Otto Schulte
General Manager
M. F. A. Central Cooperative
Columbia, Missouri

Alvah W. Severson
Secretary
New Jersey Council of Farmers
Cooperatives
Haddon Heights, New Jersey

Jack Shepherd
Director of Public Relations
and Personnel
Calavo Growers of California
Los Angeles, California

E. Morton Taylor
Vice President
Federal Land Bank of Louisville
Louisville, Kentucky

Eli Wiggins
Member and Public Relations
Eastern States Farmers Exchange
West Springfield, Massachusetts

Joseph G. Knapp
Administrator
Farmer Cooperative Service

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Using Cooperative Directors To Strengthen Member Relations

by Irwin W. Rust
Membership Relations Branch
Management Services Division

Should directors have responsibility for taking part in their cooperative's member relations program?

What can directors do to strengthen member relations and build better communication between their cooperative and the members it serves?

How active should directors be in keeping members informed of cooperative affairs?

Cooperative leaders and educators agree that a strong member relations program is vitally important. But there is some variance in their ideas on exactly how directors fit into the program. Should it be strictly on the policymaking level or should directors take an active, personal part in the program?

The majority viewpoint of conference speakers listed in the foreword supports an active role for directors. A thoughtful and persuasive dissenter believes that directors should not breach their traditional policymaking role by active participation in member relations and information programs.

Basic Qualifications of Directors



In either case, directors need to understand their cooperative. "The directors of a farmer cooperative must first of all believe in agricultural cooperation. They must agree with the basic principles of farmer cooperatives and they must believe in the job they are doing," one leader says.

Cooperatives can also rightfully expect their directors to be loyal and to set an example by their own use of the association's products and services.

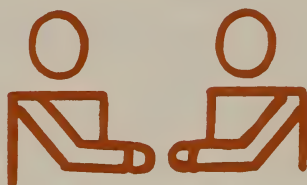
A cooperative manager expresses it this way—"I would emphasize that a capable and loyal board of directors is the very backbone in the development and progress of our cooperative. . . . Their loyalty as patrons of their cooperative has great bearing on the development of our member relations program."

A third fundamental requirement for a director before he undertakes any member relations work, either as an active participator or a policymaker, is a thorough knowledge of the cooperative's operations.

Some cooperatives have had excellent results with special training schools for their directors. One such association reports, "At training meetings . . . for board members we found great concern with member relations. Board members want more information about how to become better board members, so they can do a better job of serving on the management team. . . ."

Assuming that directors are true believers in cooperation, are loyal, and are knowledgeable—what next? Are they planners, or doers, or both?

Doers As Well As Planners?-- One Point of View



Most cooperative leaders and educators are convinced that active participation in the member relations program is one of the director's jobs.

As one cooperative official says, "Why wouldn't our board take part in our membership relations program when our State law holds them liable for the acts of the association, and our association bylaws state: 'The board of directors shall have general supervision and control of the business and affairs of the association and shall establish all policies and make all rules and regulations . . . for the management of the business and guidance of members, officers, employees, and agents of the association.'"

An Active Role

Cooperatives can offer their directors a variety of opportunities to participate actively in member relations programs. They can strengthen these programs by attending meetings, committee work, personal contacts, and helping with special projects.

By Attending Meetings

Most cooperative leaders consider attendance at committee and general membership meetings as part of a director's member relations job. These meetings give directors a chance to talk with members—to hear and present opinions.

A director also frequently represents his cooperative at regional and State meetings, leadership conferences, and special institutes.

A director who represents his local cooperative in this way has an important member relations role. He reports back to members at local meetings and he also provides the central organization with information from the local level.

As Committee Chairmen

Serving as chairman of a committee of members gives a director another chance to participate actively in member relations work, both in the committee sessions themselves and in presenting oral or written reports from the committee to the general membership.

Person-to-Person Activities

There is a general belief among the conference speakers, and among most cooperative leaders, that personal contacts between directors and members are valuable from a member relations standpoint. In fact, one agricultural leader considers this activity extremely important.

In his words, "A director's role in member relations is primarily through personal contact with individual members and, I would say, at a minimum as far as meetings are concerned, except at the annual meeting."

Person-to-person member relations work can be on a strictly informal, across-the-fence basis, or it can be a carefully planned program.

Making Surveys.—As an example of an organized person-to-person activity, we cite the patron survey made by directors of a county cooperative.

According to the manager, "This proved to be a very good member relations activity. People like to be interviewed. They like people to be interested in what they are doing and how they think. We would notice an increase in sales just as a result of showing people we were interested."

This survey led to other member relations activities, with directors taking a major role. For one thing, the survey showed that the average age of patrons was high, indicating that the cooperative needed to work to draw in more young people. Three neighborhood meetings were arranged, with directors

and their wives as hosts. Each of these director couples invited three young farmer couples.

The manager says, "The fact that we had perfect attendance at all three meetings proves to me the value of directors in a member relations program." Directors also followed up on these contacts with marked success.

The same survey convinced cooperative officials that a building program was justified. Again we quote the manager, "Since our directors had taken an active part in the survey, it was only natural that they go back to the people to raise the necessary funds. . . . Again the directors proved their value and the required amount of stock was sold."

Informing Members of Changes.—When a cooperative is facing a major change, such as a consolidation, a planned personal contact program can be very effective. Here is what one cooperative did.

Recently the directors voted for a consolidation after long study and negotiation. (This particular cooperative operates with a system of local councils on which directors serve.) Directors presented detailed reports to council members who went into their communities ready to discuss facts. All this was done before news of the consolidation was released to press and radio.

During the period before the membership voted, directors were busy visiting members, giving accurate information, and combating rumors. The test of the effectiveness of this member relations program came when the motion for consolidation was presented at the annual meeting. It carried overwhelmingly.

Informal Personal Contacts.—Informal personal contacts offer all cooperative directors opportunities to strengthen member relations. In some types of cooperatives, such as Federal land bank associations, these contacts are especially important.

To quote the vice president of one of these land bank associations, ". . . directors know what is happening in the business, what new services are available, and, most importantly, they know who the members are.

"In contacts with members across fence lines, at farm organization and cooperative meetings, in church or civic groups—in fact all the time and everywhere—they are alert to opportunities to pinch-hit for the manager and spread the association's message to its members.

"As a director establishes his identity as such, he may become an important source of counsel for neighbors and others who are or should be members of the association. We consider this to be the director's best opportunity to assist with member relations."

A cooperative manager who believes that pinch-hitting for the

manager is an important member relations activity for directors refers to them as “the sounding board for both members and management.”

Through Communication Channels

Directors have still other channels available for strengthening member relations. Some of these can be valuable in creating a favorable image of the cooperative, although they involve the individual directors on a less personal basis than the activities we have been describing.

Newsletters.—Repeated studies by Farmer Cooperative Service show that newsletters generally rate high as effective tools for improving communication between cooperatives and their members. Whether a publication is professionally prepared and printed or is a simple mimeographed letter, it serves the same purpose. It is a direct line of communication between directors, management, and members.

Through a newsletter, directors can explain proposed or accomplished actions, describe new services or programs, or ask for suggestions. It is an easy way to get the same information into the hands of every member.

Junior Boards of Directors.—Selection of junior boards of directors can open up another communication channel. If these younger members attend meetings with the regular board of directors, they are in a position to make valuable member relations contributions.

Advisory Boards.—A central cooperative whose directors are chosen on a district basis by delegates from locals indicated that the directors were too far removed from the local membership and so set up a system of advisory boards.

In this plan, each local elects an advisory board which keeps in touch with the local membership and helps develop the member relations program. The advisory board is not a policy-making body. It meets regularly with the local manager, works through committees to plan membership meetings, and, in general, serves as a member relations link between the central board of directors and the local members.

This association has a monetary yardstick for measuring the effectiveness of its member relations program. “In the expansion of facilities we have a policy of raising at least 50 percent of the necessary funds through sale of our bonds or investment certificates in the local community,” the general manager explains.

“If membership relations are at a low ebb, it is difficult to get the members to make investments. On the other hand, we have actual experience that where the membership is informed

and active, the entire local project is financed by the local sale of these bonds.”

Employee Training.—Office employees and field staffs can help in member relations programs, a State department of agriculture official points out. He believes directors should be responsible for providing member relations training and guidance for employees.

Here is his reasoning.

“I would venture to say that the cooperative image is largely expressed to the members through the attitudes of the paid employees. Directors can strengthen the cooperative image by helping employees develop cordial, helpful, and considerate personalities in performing services needed to assist the member. . . .

“No cooperative director can overcome, through a personal member relations program, the dissatisfaction of a member with a surly, inconsiderate employee.”

He pointed out that while cooperatives with limited budgets probably cannot afford to hire professionals to teach an employee-patron relations course, they can take advantage of aids that are available at little or no cost. The local telephone company, he notes as one example, offers films and pamphlets on telephone manners.

Testers for a dairy herd improvement association are one group he mentions as an example of a field staff that can do valuable member relations work. These employees have a keen personal interest in member relations—their own jobs depend on members’ loyalty to the program and to the cooperative.

Or Merely Planners?-- The Other Point of View



The preceding pages reflect the thoughts of all but one of the cooperative leaders listed in the foreword. A dissenter firmly believes that directors should not take an active personal role in member relations programs, that directors should be policy-makers only, and that hired employees should be responsible for carrying out the member relations program.

“Director participation in the member relations program is *not* desirable, and it is potentially downright dangerous,” this man says bluntly.

Member Relations Duties as Planners

Looked at from his point of view, directors’ member relations functions would include:

1. Defining the principles, objectives, and policies of the cooperative—its “image”—and setting goals.
2. Giving basic direction to the member relations program.
3. Approving a budget that will provide funds for the planned member relations program.
4. Measuring and appraising the results of the program.

In support of the view that directors should confine their efforts to planning, the dissenting cooperative executive cites a list of 16 powers and duties of boards of directors of cooperatives, prepared by the late Ellis Stokdyk, President of the Berkeley Bank for Cooperatives from 1933 to 1945. He made no reference whatever to member relations as a director's function.

Pitfalls in Person-to-Person Activities

The advocate of keeping directors strictly on the policymaking level questions the value of the person-to-person member relations activities of directors which many cooperative leaders favor.

An ill-informed or partly-informed director can get into deep trouble in a heated discussion with a dissatisfied member, he points out. This is particularly true if the director thinks slowly or does not communicate well.

He does take a somewhat kindlier view of group meetings of members with a director. “Group meetings have the advantage that the interpersonal relationship is never quite as intimate as a conversation between two or three individuals,” he says. “The director is not as likely to be embarrassed by questions he cannot answer—he can find a way out, as he cannot in face to face conversation.”

Advice-Seeking Can Cause Problems

Asking a member for advice or suggestions may also turn out to be a direct route to trouble, in the same speaker's opinion. “Another risk” he pointed out, “in . . . a director . . . seeking the advice of the membership is that . . . as a policymaker for the cooperative, he will be expected to *act* on the advice. And since the advice he receives will quite likely be as diverse as the number of his advisers, there will be no possible way he can satisfy everybody. The chances are extremely good that he will satisfy no one. Then take a look at your member relations.

“Management, on the other hand, is not put into this dilemma in quite the same way. It can distill the views of the members into a recommendation to the board of directors but it can't be charged with errors of policy because it is not responsible for making the policy.”

Speeches Only If Capable

Nor does every director have a member relations obligation to make speeches. "Participation by a director as a speaker can be very effective—if *he is a speaker*. He can do more harm than good—no matter how loyal, well-intentioned, and sincere—if he confuses people or bores them."

(At least one cooperative is trying to solve this problem by having its directors attend speech classes at a nearby university.)

Appointed, Not Elected, Committees

The desirability of another member relations activity often assigned to directors also is questioned by some cooperative leaders. Should directors serve as chairmen of committees or advisory groups elected by the membership?

Some think not. Election of committee members may result in a group that does not get along well together or with the director-chairman.

Permitting a director to choose his own committee eliminates this potential problem.

Two Viewpoints Summarized



We have presented two opposing views of the role of directors in strengthening member relations in their cooperatives.

Many of the cooperative leaders listed in the foreword state that directors should take an active personal part both in planning and in implementing the member relations program of their association.

The opposing view is summarized thus by its staunch supporter: "... participation in a member relations program is not the job the director was elected to do. He was elected to be a director—by definition, one of a body of persons *directing* the affairs of a company of corporation. One who governs or controls, if you will. He was *not* elected to do the work of management in carrying out the directions of the directors."

But supporters of both positions agree on one point: A strong member relations program is vital to the life of a cooperative.

Does your cooperative have a good program?

Other Publications Available

Assuring Democratic Election of Cooperative Directors. Educational Circular 21. Irwin W. Rust.

Creating Training Programs for Cooperative Directors. Educational Circular 22. Irwin W. Rust.

Managing Farmer Cooperatives. Educational Circular 17. Kelsey B. Gardner.

Improving Management of Farmer Cooperatives. General Report 120. Milton L. Manuel.

Directors of Regional Farmer Cooperatives—Selection, Duties, Qualifications, Performance. General Report 83. David Volkin, Nelda Griffin, and Helim H. Hulbert.

Bylaw Provisions for Selecting Directors of Major Regional Farmer Cooperatives. General Report 78. Helim H. Hulbert, David Volkin, and Nelda Griffin.

“Mr. Chairman—” Information 6.

Membership Practices of Local Cooperatives. General Report 81. Oscar R. LeBeau.

Making Member Relations Succeed. Information 32. Irwin W. Rust.

A copy of each of these publications may be obtained upon request while a supply is available from—

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